Message

From: Brandon Barras [redacted]@google.com]
Sent: 6/27/2017 7:56:52 PM
To: Sameer Samat [redacted]@google.com]
CC: Kirsten Rasanen [redacted]@google.com]; Larissa Fontaine [redacted]@google.com]; Tia Arzu [redacted]@google.com]; Paul Feng 馮友樸 [redacted]@google.com]; Jamie Rosenberg [redacted]@google.com]; Purnima Kochikar [redacted]@google.com]; Mary Oh [redacted]@google.com]; Larry Yang [[redacted]@google.com]; George Audi [redacted]@google.com]
Subject: Re: Tinder and Google Play Billing [Concern]

+George

Reviving this thread as an FYI - I received a call yesterday from Tinder's Founder and Chairman Sean Rad. He noted there have been several internal discussions around incorporating additional payment methods beyond GPB and wanted to understand how that might impact our overall relationship. Below is a recap from the call:

- I communicated this would be in violation of our policy and would severely handcuff of us in terms of Play partnership opportunities moving forward
- He initially said interest was due to payment reach and penetration in certain markets, but after pressing for more detail, he noted they're more interested to see how additional payment options would impact overall revenue in certain regions without the rev share
- He inquired about other partners, including Spotify, and our stance on them not using GPB. I let him know that I cannot comment on other developer conversations, but we're actively partnering to onboard any developers not currently utilizing GPB who are also in violation of policy
- I've asked him to provide detail on any gaps or product limitations Tinder might be seeing on the platform and that our PM/Eng team are available to working with them closely to help address these

Sean seemed genuinely interested in gathering our feedback and was appreciated of our overall partnership. That being said, I'd imagine Tinder will continue to discuss this option with Match Group leadership and I wanted to flag for this group.

Let me know if there is anything I can help clarify as well.

-Brandon

EXHIBIT 704

On Tue, Jan 17, 2017 at 2:53 PM, Brandon Barras <[redacted]@google.com> wrote:
If we're not yet comfortable exploring the 15% rev share for dating, Tinder is also on the short list to potentially receive marketing funds investment to help drive subs growth in 2017. These funds could be used to help with co-marketing, subsidies free trials/discounts, or be utilized for traditional media spend. Tinder also recently started to spend on Search App Installs on Android, so we could allocate funds there as well.

The timing of the program is slated to start at some point in Q1. We could push to have them included in the first wave and frame the program in a way that Tinder knows GPB would be required for the funds investment.

On Tue, Jan 17, 2017 at 12:05 PM, Sameer Samat <[redacted]@google.com> wrote:
Your point about dating being a category where it is unlikely you'll have year + long subscriptions is compelling to me.

Matching funds makes sense to me -- what can people use these for? Is it like giving them credit for Adwords?

I still find the 15% number kind of random. I understand what Paul is saying that Apple set a benchmark, but it seems like a gigantic decision and justifying such a huge business model impacting number (for the developer too!) with "apple did it" feels bad to me.

It seems like there is urgency to do something here. What are you guys proposing now based on this thread ?

On Thu, Jan 12, 2017 at 10:06 AM, Kirsten Rasanen [redacted]@google.com> wrote:
Thanks, Sameer. It is a complicated issue and agree that there are many ways we can achieve the same end. Just want to offer a couple of nuances regarding the dating category that may be helpful context.

1. It's true that Apple's model is 30% for year one and 15% thereafter, but that's not super enticing for dating apps. Since the traditional goal of these services has been to help users find a mate, subscription terms for longer than one year are not very common. From the user perspective, if Match.com doesn't work for me in 12 months, I'm probably going to try another service. If it does work for me, I'm going to unsubscribe. (Duly noted that Tinder is changing that a bit as the goal isn't necessarily the same for a Tinder user…)
2. The larger (most profitable) services like Match, Zoosk and eHarmony, began as web businesses (10 - 20 years ago) and are actually quite sophisticated in terms of churn-reduction, reengagement and buyer conversion. In some ways our billing platform is not as good as theirs currently are. These three are primarily US-based. Services like Tinder and Plenty of Fish do have global ambitions which makes GPB more attractive, though for legacy businesses (like POF), they tell us 30% rev share is still prohibitive for exclusive adoption.

Finally, on the idea of co-marketing, we are thinking about ways that we can potentially offer marketing funds to Tinder as part of a broader co-marketing initiative. This would be a way to mitigate the risk of Tinder diversifying payment methods, but it's unlikely that co-marketing funds will bring services like Match or Zoosk on to GPB unless we are willing to make a huge investment ($10M+ to offset 30% rev share) which doesn't seem likely.

All said, this certainly merits additional consideration. BD and product (Paul, Larry, Larissa and others) are engaged in on-going discussions about billing policy, platform and incentives.

Thanks,
Kirsten

On Thu, Jan 12, 2017 at 8:51 AM, Sameer Samat [redacted]@google.com> wrote:
An alternative to dropping the rev share here could be a one time commitment to go-marketing funds for 2017 to help drive growth in exchange for them getting onto play billing. This would cost us quite a bit in 2017 but could make us more money in the medium term. Once we go to 15% right off the bat there is no coming back and it puts pressure for us to do the same on other verticals.

ios's billing isn't 15% in the first year -- it's 30% then 15%, yes? Do we need to go right to 15% here? I think a longer term view here might be helpful -- I think the product team and bd should sit down and think this

through a bit. For example, if we put in place a promotions and loyalty system that developers can implement in their app to help subscription based services retain and reengagement consumers across ad networks and via play store / play marketing channels we could do something clever in the future and say:

It's 30% for subs in year 1. But 50% of that we hold in an account for you to use our promotion systems to retain subs -- our goal is to help you build a long term business with loyal users. Any sub that makes it to the 1 year renewal point billing drops to 15%.

If we go to 15% right now in year 1 there is no way to go back and implement these kinds of things so it is really important to think through where we want to go.

Also, you mentioned in your summary Brandon "undetermined platform value". Are these dating companies all in the US? Do they have plans to go international? Does our billing perform worse for all of them? I have some trouble believing that because a lot these companies are smaller and unlikely to have developed sophisticated declines / involuntary churn efforts. Although I could be surprised by how bad we are at this perhaps.

Also, PaulF: I think all this 30%, 15% stuff is pretty arbitrary. The cost should be a function of the LTV and cost of acquisition in the category. Not to make things too complicated, but in the retail world Amazon marketplace charges a variable rate per category based on the underlying margin and cost structure of those goods. It shows respect for the partners business to understand things at this level -- and provides flexibility to be able to adjust as needed. In the case of Play the reality is each partner would likely just have one rate they'd need to deal with (vs. retailers who sell across categories quite often). Any thoughts on this ?

On Thu, Jan 12, 2017 at 7:16 AM, Brandon Barras <[redacted]@google.com> wrote:

Per Larissa's note, we have thought about how we might extend LRAP-like rev share terms to dating partners. While there are not as many logical product integrations (i.e. dating apps on ATV or in Auto don't make a lot of sense), there is still opportunity for partners to increase investment in the platform in exchange for increased rev share from Play.

Goal

- Ensure that top dating apps become and remain exemplar users of Google Play Billing and strengthen GPB position as a leading payments platform

Overview

- Top dating partners have resisted using GPB due to:
  - Existing payments infrastructure
  - Lack of desire to pay 30% rev share for undetermined platform value
- 6 of the top grossing dating apps on iOS are not using Google Play Billing (est annual rev on iOS $136M)
- Lack of policy clarity has allowed these partners to remain on their own payments infrastructure on Android

Terms:

- In exchange for a discounted 15% revshare, developers opted into DDAP must comply with:

- GPB integration
- Product Parity for iOS and Android
- Adoption of Play best practices including Material Design, SmartLock...etc
- Upgrade to the latest Android OS w/n 90 days of launch

- Potential Deal length

- Minimum term commitment of 24 months and 12 month auto renewals unless either party terminates 30 days before renewal date; upon termination developer has a [3 month] transition period before revenue share will revert

Let us know your thoughts/comments.

Thanks,

-BB

On Wed, Jan 11, 2017 at 12:35 PM, Larissa Fontaine <[redacted]@google.com> wrote:
PRIVILEGED

Correction: not quite as much tindering as originally thought. 2016 consumer spend was $55M with 253% growth.

On Wed, Jan 11, 2017 at 9:19 AM, Tia Arzu <[redacted]@google.com> wrote:
Haha!!

Thanks,
Tia

||| **Tia Arzu**
||| Senior Counsel, Google Inc
Registered In-House Counsel (CA), Licensed only in Georgia
[redacted]

On Wed, Jan 11, 2017 at 9:13 AM, Sameer Samat <[redacted]@google.com> wrote:
that's a lot of tindering ...

On Wed, Jan 11, 2017 at 8:57 AM, Larissa Fontaine <[redacted]@google.com> wrote:
PRIVILEGED

Worth noting that Tinder delivered ~$100M in consumer spend last year, 2nd among all apps (Line is 1st) and the top subscription service.

On Wed, Jan 11, 2017 at 8:51 AM, Brandon Barras <[redacted]@google.com> wrote:
Hi Sameer,

That's right - the decline is in **our** revenue from GPB. OKC noted that while overall conversion is lower with their credit card option, the conversion decrease is offset by the removed rev share. We've asked them to share specific data, but they've been hesitant to do so.

As you mentioned, the concern is Tinder would make similar changes without telling us, leading to a decline in Play's overall revenue.

-BB

On Wed, Jan 11, 2017 at 11:35 AM, Sameer Samat <[redacted]@google.com> wrote:
Ok I see -- sorry for being slow -- to confirm, when we say revenue decline we mean they've added options next to ours and *our* revenue has declined -- it's not play billing that has caused *their* revenue to decline, yes?

and I understand now why you are worried -- they wouldn't necessarily need to mention much to us I guess -- they would just some day show up with these other options.

do we know why they added these? I assume it's to escape the 30% ? or do they find higher conversion with their own flow here?

On Wed, Jan 11, 2017 at 7:53 AM, Brandon Barras <[redacted]@google.com> wrote:
Hi Sameer,

In addition to GPB, OKCupid added separate PayPal and credit card payment options in their payment flow leading to the revenue decline previously mentioned. They have since removed PayPal and now offer both GPB and credit card options - see attached.

You're correct that there has been no direct mention by Tinder of a billing change beyond the purchase data migration, most likely to the Match Group's backend. Given Match Group's reluctance to adopt GPB across their apps due to existing payment infrastructure and lack of desire to pay the 30% rev share, along with OKCupid's payment diversification, we wanted to be sure this group was aware of any possible change given Tinder's overall revenue impact for Play.

-BB

On Wed, Jan 11, 2017 at 2:24 AM, Sameer Samat <[redacted]@google.com> wrote:
The initial email here indicates there's been no mention on their end that they are concerned yet in this migration -- has something changed there?

btw, what does it mean exactly to add "additional payment options" ?

On Tue, Jan 10, 2017 at 8:26 PM, Larissa Fontaine <[redacted]@google.com> wrote:
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Meeting earlier would be ideal but I believe scheduling was proving difficult with this attendee list. To Jamie's point, we could explore an LRAP-style program for dating developers and share that over email in the next day or so (proposal has already been drafted). Even if we proceed with the policy change we'll need to account for a DDA change, notice periods, etc. and will likely need an interim solution for the next 6-12 months, anyway.

Thanks,
Larissa

On Tue, Jan 10, 2017 at 5:34 PM, Paul Feng 馮友樸 <[redacted]@google.com> wrote:
Jamie,

The team is working on coming back with more details to address some of the feedback you, Sameer and Purnima gave. We have a review scheduled for 1/25, which is a couple of weeks away.

Given that what we do with Match Group will be influenced by our broader decision, I'd suggest that we discuss at the same time. If it's super urgent, I can see if we can pull in that 1/25 review. Larissa, what are your thoughts about doing that?

On Tue, Jan 10, 2017 at 1:02 PM, Jamie Rosenberg <[redacted]@google.com> wrote:
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What is the status of the policy exercise?

My initial reaction is that even if the notion of a broad policy change for all subscription apps is a long way off, if we were to make a change for Tinder it should be in the context of *some* policy adjustment -- i.e., the expansion of the scope LRAP, as an example. Doing it as a one-off without a way to explain to other similarly situated developers feels problematic.

On Tue, Jan 10, 2017 at 11:49 AM, Larissa Fontaine <[redacted]@google.com> wrote:
+ Larry

PRIVILEGED

Repinging this thread post-holidays...Jamie and Sameer, I know we have a review on subscriptions policy+rev share coming up, do you want to include this topic or should we set up a separate time to discuss an interim solution for Tinder/Match?

Thanks,
Larissa

On Fri, Dec 16, 2016 at 4:55 PM, Brandon Barras <[redacted]@google.com> wrote:
PRIVILEGED AND CONFIDENTIAL

Tl;dr: There is growing concern that Tinder may add additional billing options, or move away from Play Billing all together, in early 2017. We would like to discuss mitigating that risk by offering 15% rev share to Match Group. This recommendation is made in the context of a possible policy shift that would provide Match with this rev share adjustment without custom deal terms (recognize this is still under discussion and TBD).

Background

- Tinder is the only major dating app owned by the Match Group still exclusively using GPB and currently Play's second highest grossing app - $51m YTD
- OKCupid, one of the first Match Group apps to use GBP, added additional payment forms in 2016 leading to an average -17% quarterly decline YoY. They've told us that conversion decrease is offset by no rev share.
- Match Group's remaining major brands (Match.com, PlentyOfFish and Meetic) have resisted adoption of GPB due to a robust existing payment infrastructure and then the lack of desire to pay the 30% rev share
    - Those 3 apps generated ~$69M on iOS YTD

Concern

- Tinder recently told us they are undergoing a massive purchase data migration, most likely to the Match Group's backend. This raises concern that Tinder may enable additional payment options or move off GPB entirely post migration, though there has not been any additional signaling of a change.

Recommendation

- Consider extending a reduced rev share across the Match Group with a requirement of GPB as the sole payment method in advance of a possible policy change.

Jamie and Sameer, would it be useful to discuss this in person? Happy to work with Elyse and Erin to schedule something for next week or the first week in January.

Thanks,

Brandon

| Brandon Barras | | Google Play Partnerships | | [redacted]@google.com | | [redacted]

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